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Five-Year Network Improvement Plan Progress Report For
Pattersonville Telephone Company

In its *USF/ICC Transformation Order* and subsequent Orders, the Federal Communications Commission (“FCC” or “Commission”) required Eligible Telecommunications Carriers (“ETCs”) to submit a five-year build-out plan in a manner consistent with Section 54.202(a)(1)(ii) of the Commission’s Rules and to submit annual progress reports thereafter.¹ Pattersonville Telephone Company or the “Company” is a rate-of-return carrier ETC and hereby submits its annual progress report covering progress made during 2015 on the initial five-year network improvement plan submitted in 2014.

Pursuant to 47 C.F.R. § 54.313(a)(1), recipients should submit “[a] progress report on its five-year service quality improvement plan pursuant to § 54.202(a), including maps detailing its progress towards meeting its plan targets, an explanation of how much universal service support was received and how it was used to improve service quality, coverage, or capacity, and an explanation regarding any network improvement targets that have not been fulfilled in the prior calendar year. The information shall be submitted at the wire center level or census block as appropriate. Accordingly, Company hereby provides the following required elements of its progress report for 2015 to satisfy Form 481 reporting obligations.

¹ See *Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing a Unified Inter-carrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Universal Service Reform—Mobility Fund*; WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, GN Docket No. 09-51, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-61 (rel. Nov. 18, 2011) (*USF/ICC Transformation Order*) at Para. 587; *pets. for review denied, Direct Comm. Cedar Valley, et al v. FCC 11-161*, No. 11-9900 www.ca10.uscourts.gov/opinions/11/11-9900.pdf (10th Cir. filed May 23, 2014); see also *Connect America Fund et al.*, WC Docket 10-90 *et al.*, Order, DA 12-147 (rel. Feb. 12, 2012) at Para. 5 (amending Section 54.313(a)(1) to clarify this requirement); *Connect America Fund et al.*, WC Docket 10-90 *et al.*, Third Order on Reconsideration, FCC 12-52 (rel. May 14, 2012) at Para. 10 (changing the filing deadline for the annual reports from April 1 to July 1); *Connect America Fund et al.*, WC Docket 10-90 *et al.*, Order, DA 13-332 (rel. Mar. 5, 2013) (“*March 5, 2013 Order*”) at Para’s. 4, 6-9. Delaying Five-year Plan until July 1, 2014 see WC Docket No. 10-90, Order, DA 13-1115, Para. 8 (released May 16, 2013).

A. 2015 Five-Year Plan Progress Report

The Company hereby reports that for 2015, it has made the following progress on meeting targets specified in its five-year network improvement plan and that during 2015, it has used the amount of USF, specified under Section B below, solely for which the support was intended. Details regarding the progress are contained in **Appendix A** and **Appendix B**.

Appendix A reflects the major network improvement projects for the calendar years 2015 through 2019, along with the start and completion dates, status/progress of the projects, areas and population associated with those projects, total projected capital expenditures, and the 2015 actual capital expenditures.

The first table in **Appendix B** included herein specifies the capital expenditures (projects) in **Appendix A**, by Part 32 account, for calendar year 2015. Specifically, the table shows the 2015 capital expenditures as filed July 1, 2015, the 2015 actual capital expenditures, and the difference.

In the second table of **Appendix B**, the projected operating expenses are provided for calendar year 2015, including depreciation expense for both embedded plant investment and for capital expenditures, which begins when the capital expenditures are projected to be placed into service. Specifically, the table shows the 2015 operating expenditures as filed July 1, 2015, the 2015 actual operating expenditures, and the difference.

B. The Amount of Universal Service Support Received by the Company

Company received a total of \$232,278 in high cost universal service support (“USF”) in 2015 through the following mechanisms:

- \$108,804 for Interstate Common Line Support (“ICLS”);
- \$ 0 for High Cost Loop Support (“HCLS”);

- \$123,474 for ICC CAF Support;

C. How USF was Used to Improve Service Quality, Coverage and Capacity

Section 254(e) of the Communications Act of 1934, as amended requires ETCs to use Universal Service support (“USF”) “only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.”² Essentially, under the existing rules and processes, the federal USF received by the Company and other incumbent rural telephone companies are, in fact, an integral part of the recovery of expenditures of rural incumbent local exchange carriers incurred in the provision, maintenance and upgrading of their provision of facilities and services for which the USF is intended. Accordingly, Company’s progress report demonstrates how the Company has used USF not only for improvements and upgrades, but also for the provision and maintenance of the facilities and services to which the support was intended.

The Form 481 Instructions require ETCs to indicate that a company’s progress report quantifies how much USF was received for its service area and that the USF is broken out separately by the amount spent on capital expenses and the amount spent on operating expenses.³ Pursuant to these instructions, the Company hereby reports that for calendar year 2015, the Company spent no money in CapEx and \$1,012,313 in OpEx to improve service quality, coverage and/or capacity through the projects identified in **Appendix A**. Details regarding these expenditures can be found in **Appendix B**.

² 47 U.S.C. § 254(e).

³ Instructions for Completing FCC Form 481, OMB Control No. 3060-0986 (High-Cost), OMB Control No. 3060-0819 (Low-Income), November 2015, Line 114.

While the total amount of these expenditures exceed the amount of federal USF received in 2015, there is no correlation between these expenditures and the amount of USF that the Company received in 2015. USF disbursement received by the Company and other rural incumbent local exchange companies is divided into three main categories: Interstate Common Line Support (“ICLS”); High Cost Loop Support (“HCLS”); and CAF-ICC Support (“CAF-ICC”).

The ICLS received in 2015 was based on annual projected data submitted by the Company in March 31, 2014, which is subject to an annual true-up process based on actual data that will be submitted on December 31, 2016, for the previous calendar year (*i.e.*, 2015). Like ICLS, CAF-ICC support was also based on projected demand submitted on July 1, 2014, which is subject to an annual true-up process based on actual data submitted on July 1, 2015, for the previous tariff year (*i.e.* July 1, 2014 through June 30, 2015). Further, HCLS received by a rural LEC in 2015 was based on December 31, 2013 financials. Quarterly updates could then be based on March 31, 2014, June 30, 2014, and September 30, 2014 financials.

D. Maps Depicting the Company’s Network Progress

Attached to this progress report as **Appendix C** is Company’s map depicting the extent of the Company’s network within its service area and detailing progress on the specific projects contained in its five-year plan.

E. Network Improvement Targets Not Met

All projects for the Company are long term network upgrades and maintenance that are scheduled to be completed through the time period 2019. No capital expenditures were required at this point in the upgrade plan being finalized.